
SOUTH LOUISIANA CHARTER FOUNDATION, INC.

BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2014



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& Netterville

A Professional Accounting Corporation

www.pncpa.com

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of South Louisiana Charter Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Louisiana Charter Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The performance and statistical data included as Schedules 1 through 9 is presented as supplementary information required by Louisiana State Law and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of South Louisiana Charter Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Louisiana Charter Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netherville

Baton Rouge, Louisiana
December 15, 2014

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS:

Cash	\$ 521,428
Cash - restricted	6,709
Grants receivable:	
Federal programs	12,700
Other	34,782
Due from CSUSA	66,388
Prepaid expenses and other	17,173
Total current assets	<u>659,180</u>

PROPERTY AND EQUIPMENT (NET):

9,821,628

NON-CURRENT ASSETS:

Utility deposit	10,612
Other deposit	2,964
Total non-current assets	<u>13,576</u>

Total assets

\$ 10,494,384

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 11,045
Accrued payroll and related expenses	213,571
Accrued other expenses	39,403
Accrued interest payable - short term portion	74,124
Capital lease payable - short term portion	194,072
Funds held in custody	6,709
Total current liabilities	<u>538,924</u>

LONG TERM LIABILITIES:

Accrued interest payable	125,586
Capital lease payable	9,812,600
Total long-term liabilities	<u>9,938,186</u>

NET ASSETS:

Unrestricted	17,274
Total net assets	<u>17,274</u>

Total liabilities and net assets

\$ 10,494,384

The accompanying notes are an integral part of these financial statements.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

Revenue, Grants and Other Support

Minimum Foundation Program (MFP)	\$ 5,190,380
Federal grants	469,140
Paid meals	10,601
Before and aftercare fees	56,172
Other income	83,381
Total unrestricted revenues and support	<u>5,809,674</u>

Expenses:

Program services:

Instructional - regular education programs	2,132,671
Pupil support services	300,804
Instructional staff support services	28,388
School administration	410,506
Operation and maintenance of plant services	1,091,989
Student transportation	42
Food services	255,193
Non-instructional expense	50,980
Management and general	
Business services	665,745
Central services	36,916
Debt service	<u>819,166</u>

Total expenses	<u>5,792,400</u>
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Change in net assets	17,274
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NET ASSETS AT BEGINNING OF THE YEAR

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NET ASSETS AT END OF THE YEAR

\$ 17,274

The accompanying notes are an integral part of these financial statements.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 17,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	471,636
Decrease (increase) in:	
Federal program receivables	(12,700)
Other receivables	(101,170)
Prepaid expenses and other	(17,173)
Other assets	(13,576)
Increase (decrease) in:	
Accounts payable and accrued expenses	463,729
Funds held in custody	6,709
	<hr/>
Net cash provided by operating activities	814,729 <hr/>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(39,887) <hr/>
Net cash used in investing activities	(39,887) <hr/>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital leases	(246,705) <hr/>
Net cash used in financing activities	(246,705) <hr/>

Net increase in cash	528,137
Beginning cash balance	-
Ending cash balance	<hr/> <hr/> \$ 528,137

Supplemental disclosure of cash flow information

Interest paid	<hr/> <hr/> \$ 619,455
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Supplemental schedule of noncash financing activities:

Capital lease obligation incurred for use of building and equipment	<hr/> <hr/> \$ 10,253,377
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The accompanying notes are an integral part of these financial statements.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Louisiana Charter Foundation, Inc. (the Foundation) is a Louisiana not-for-profit entity organized exclusively for educational purposes for providing high quality educational options for the students and families of Louisiana. For the 2013-2014 school year, the Foundation operated an elementary school, Baton Rouge Charter Academy at Mid-City (the Academy), under a Type 2 charter agreement pursuant to Louisiana Revised Statutes, Title 17, Chapter 42 with the Louisiana Board of Secondary Education (BESE). The charter agreement will terminate on June 30, 2017, unless extended for a maximum initial term of five years, contingent upon the results of a review conducted after the completion of the third year of operation. The school had enrollment of approximately 504 students for the 2013-2014 school year.

During the fiscal year, the Foundation entered into two additional charter school agreements to operate other elementary schools in East Baton Rouge Parish and Iberville Parish for the 2014-2015 school year.

Financial Statement Presentation

The Foundation follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows.

The Foundation also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Functional Expenses

The costs of providing various program and administrative services have been reported on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the various program and administrative services based on estimates made by management.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds held in custody

The Foundation considers all student activity funds and unexpended income from these funds to be funds held in custody. All funds held in custody are recorded in the statement of financial position at their fair values.

Grants Receivable

Grants receivable represents amounts owed to the Foundation for costs incurred under federal and state grant contracts which are reimbursable to the Foundation. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on grants receivables using the allowance method. The allowance is based on experience with collections from granting agencies. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible contracts receivable when management determines that the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established.

Public Support and Revenue Recognition

The Foundation receives grants from the private and public sectors. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education. Additionally, the Foundation receives Minimum Foundation Program (MFP) funding from the Louisiana Department of Education through the Louisiana Board of Elementary and Secondary Education according to the per student funding formula set forth by the Department of Education and an apportionment of local taxes. Substantially all state grants and support are unrestricted as to use. A substantial portion of federal grants are expenditure driven and as such is classified as unrestricted in the Statement of Activities and Changes in Net Assets. The Foundation also receives federal support for food service that is based on the number of meals served to students. As such, revenue is recognized as meals are served.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At June 30, 2014, the balances in the cash accounts exceeded the amount insured by the Federal Deposit Insurance Corporation by approximately \$275,000. Management, however, believes the credit risk associated with these deposits is minimal.

Advertising

The Foundation expenses advertising costs as they are incurred.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Foundation has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$750. Property and equipment is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives ranging from 3 to 30 years. Maintenance and repairs are charged to expense when incurred. Leasehold improvements are amortized over 5 to 30 years.

Tax Exempt Status

The Foundation is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes as such no provision has been made for federal and state income taxes. If the Foundation would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Foundation had no material unrelated business income for the fiscal year ended June 30, 2014.

The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

With few exceptions, the statute of limitations for the examination of the Foundation's income tax returns is generally three years from the due date of the tax returns including extensions.

2. GRANTS RECEIVABLE

Receivables due from federal programs of \$12,700 at June 30, 2014, represent amounts due from the Louisiana Department of Education for federal pass through grants under the Title I Program. Other receivables of \$34,782 are due from the Federal Communications Commission (FCC) under the Universal Services Program for Schools and Libraries (E-Rate).

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2014:

Buildings and Leasehold Improvements	\$ 9,477,138
Furniture & Fixtures	379,712
Equipment and software	<u>436,414</u>
Total Cost	\$ 10,293,264
Less: Accumulated Depreciation	<u>(471,636)</u>
Total Property and Equipment	<u>\$ 9,821,628</u>

Depreciation expense for the year ending June 30, 2014 was \$471,636.

4. FUNDS HELD IN CUSTODY

Collections from student activities are funds under the supervision of the Foundation; however, these funds belong to the Academy or their student body and are not available for use in operations. At June 30, 2014 the Foundation held \$6,709 in an agency capacity.

5. CONCENTRATION OF SUPPORT

The Foundation received approximately 88% of its support from the MFP and 5% of its support from federal grants passed through the Louisiana Department of Education.

6. COMMITMENTS

The Foundation has a formal agreement with Charter Schools USA, Inc. ("CSUSA") to manage, staff, and operate the School. The agreement states that CSUSA shall be entitled to a management fee for its services. The management fee is 15% of revenues which shall be set forth within the approved annual budget or a lesser percentage if, as otherwise agreed to, by CSUSA. During the fiscal year, an agreement was reached to reduce the management fee percentage to 10%. The agreement allows the amount due from CSUSA to offset future management fee charges. As such a receivable was recorded and is reflected as amounts due from CSUSA in the statement of financial position. At June 30, 2014, the amounts due from the management company totaled \$66,388.

For the year ended June 30, 2014, the amount of compensation paid to CSUSA was \$578,013 for operating the school as well as the aftercare program which is included in business service expenses in the statement of activities.

Also, at June 30, 2014, the Foundation's accounts payable balance includes amounts due to CSUSA of \$6,390 which is for other invoiced services unrelated to management fees.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL LEASE

On February 28, 2013, the Foundation entered into a 20 year capital lease agreement for property which included approximately 63,000 square feet for a charter school and athletic fields. The lease was initially held by an outside third party and all the rights, title and interest assumed by an affiliate of CSUSA on November 21, 2013. Payments are due in monthly installments and are considered late five days after the due date. A five percent late fee is assessed on any payment received after its scheduled due date. No security deposit was required upon execution of this lease.

Effective July 1, 2013, the Foundation entered into a capital equipment lease agreement which expires on May 31, 2019 and requires monthly installments of \$17,304 for the first three years and \$16,208 for the remaining lease term.

The future minimum lease payments under these capital lease obligations as of June, 30, 2014, are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 1,230,331
2016	1,245,679
2017	1,248,570
2018	1,069,409
2019	1,085,450
Thereafter	<u>17,022,174</u>
Total minimum lease payments	22,901,600
Less: amounts representing interest	<u>(12,894,927)</u>
 Present value of minimum lease payments	 \$ 10,006,672
 Less: current portion	 <u>(194,072)</u>
Capital lease payable – long term	<u>\$ 9,812,600</u>

8. FEDERAL GRANTS

The Foundation received \$64,860 from a federal start up grant. Other federal assistance received came from the U.S. Department of Education for the Title I program, Title II program, and IDEA program passed through the Louisiana Department of Education which totaled \$173,906, \$21,088, and \$74,778, respectively. In addition, the Foundation received \$134,508 from the U.S. Department of Agriculture passed through the Louisiana Department of Education under the National School Lunch Program.

9. RETIREMENT PLAN

The Foundation sponsors an Internal Revenue Code Section 401(k) Plan which covers substantially all employees of the Foundation immediately upon employment. Employees may contribute up to the lesser of \$17,500 or 6% of wages. Under the discretionary match provisions of the 401(k) Plan, the Foundation may contribute up to 25% of the first 6% of contributions. Total employer contributions to the plan were approximately \$615 for the year ended June 30, 2014.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

10. CONTINGENT LIABILITIES

The Foundation may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2014.

The continuation of the Academy is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract. The contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 15, 2014, and determined that no events occurred that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors for
South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Louisiana Charter Foundation, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana

December 15, 2014



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board Members of the
South Louisiana Charter Foundation, Inc.

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the South Louisiana Charter Foundation and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the South Louisiana Charter Foundation, Inc. and statistical data accompanying the annual financial statements of the South Louisiana Charter Foundation and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

Procedure #1

P&N selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue

Results of procedure # 1

In performing the testing on the sample of expenditures/revenues, we noted no transactions that were inappropriately classified or were recorded at an inappropriate amount.

Education Levels of Public School Staff (Schedule 2)

Procedure # 2

We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1st.

Results of Procedure # 2

No differences were noted between the number of full-time classroom teachers per schedule 4 and schedule 2, nor between the schedules and the October 1st payroll records.

Procedure # 3

We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule and to school board supporting payroll records as of October 1st.

Results of procedure # 3

No differences were noted between the number of principals and assistant principals per schedule 4 and schedule 2, nor between the schedules and the October 1st payroll records.

Procedure # 4

We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

Results of Procedure # 4:

In our sample of 25 employees, no discrepancies existed between the aforementioned listing and the schedule.

Number and Type of Public Schools (Schedule 3)

Procedure # 5

We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Results of Procedure # 5

We noted no discrepancies between the schools as listed in the "Class Size Data Report" and the list of schools on the application.

Experience of Public Principals and Full-time Classroom Teachers (Schedule 4)

Procedure #6

We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individuals' personnel files to determine if the individuals' experience was properly classified on the schedule.

Results of Procedure # 6

In our sample of 25 employees, no discrepancies existed between the aforementioned listing and the schedule.

Public Staff Data (Schedule 5)

Procedure # 7

We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Results of procedure # 7

In our sample of 25 teachers, we found no discrepancies between the individual's personnel file and the approved salary schedule and the amounts reported on Schedule 5.

Procedure # 8

We recalculated the average salaries and full-time equivalents reported in the schedule to determine mathematical accuracy.

Results of procedure # 8

No differences were noted.

Class Size Characteristics (Schedule 6)

Procedure # 9

We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

Results of Procedure # 9

Of the 10 classes selected, we noted the following differences in 7 classes between the roll book counts and the number reported in Schedule 6:

Number of Students Reported	Roll Book Counts	Difference
18	22	4
15	22	7
13	21	5
2	3	1
14	16	2
14	16	2
13	21	8

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

Procedure # 10

We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the South Louisiana Charter Foundation.

Results of Procedure # 10

No differences were noted.

The Graduation Exit Exam for the 21st Century (Schedule 8)

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

The iLEAP Tests (Schedule 9)

Procedure # 12

We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the South Louisiana Charter Foundation.

Results of Procedure # 12

No differences were noted.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the South Louisiana Charter Foundation, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Portlethwaite & Netterville

Baton Rouge, Louisiana
December 15, 2014

**South Louisiana Charter Foundation, Inc.
Baton Rouge, Louisiana**

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2014**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 1,602,561	
Other Instructional Staff Activities	103,549	
Instructional Staff Employee Benefits	212,774	
Purchased Professional and Technical Services	71,701	
Instructional Materials and Supplies	256,870	
Instructional Equipment	816,683	
Total Teacher and Student Interaction Activities		3,064,138

Other Interaction Activities 46,662

Pupil Support Activities	92,406	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		92,406

Instructional Staff Services	100	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		100

School Administration	362,316	
Less: Equipment for School Administration	-	
Net School Administration		362,316

Total General Fund Instructional Expenditures 3,565,622

Total General Fund Equipment Expenditures 816,683

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	-	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-	
Sales and Use Taxes	-	
Total Local Taxation Revenue		-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-	
Earnings from Other Real Property	-	
Total Local Earnings on Investment in Real Property		-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	-	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
Total State Revenue in Lieu of Taxes		-

Nonpublic Textbook Revenue	-	
Nonpublic Transportation Revenue	-	

SOUTH LOUISIANA CHARTER FOUNDATION
Baton Rouge, Louisiana

Education Levels of Public School Staff
As of October 1, 2013

Schedule 2

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Bachelor's Degree	16	66.67%	3	100.00%	0	0.00%	0	0.00%
Master's Degree	8	33.33%	0	0.00%	0	0.00%	0	0.00%
Master's Degree + 30	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Specialist in Education	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Ph. D. or Ed. D.	0	0.00%	0	0.00%	1	100.00%	0	0.00%
Total	24	100.00%	3	100.00%	1	100.00%	0	0.00%

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
Baton Rouge, Louisiana

Schedule 3

Number and Type of Public Schools
For the Year Ended June 30, 2014

Type	Number
Elementary	0
Middle/Jr. High	0
Secondary	0
Combination	1
Total	1

Note: Schools opened or closed during the fiscal year are included in this schedule.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
Baton Rouge, Louisiana

Experience of Public Principals and Full-time Classroom Teachers
As of October 1, 2013

Schedule 4

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	0	0	0	0	0	0
Principals	0	0	0	0	1	0	0	1
Classroom Teachers	14	3	6	0	0	2	2	27
Total	14	3	6	0	1	2	2	28

SOUTH LOUISIANA CHARTER FOUNDATION
Baton Rouge, Louisiana

Public School Staff Data
For the Year Ended June 30, 2014

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	27,808.00	-
Average Classroom Teachers' Salary Excluding Extra Compensation	27,808.00	-
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	27	-

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
Baton Rouge, Louisiana

Class Size Characteristics
As of October 1, 2013

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	100.00%	22	0.00%	0	0.00%	0	0.00%	0
Elementary Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Middle/Jr. High	50.00%	1	50.00%	1	0.00%	0	0.00%	0
Middle/Jr. High Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High	0.00%	0	0.00%	0	0.00%	0	0.00%	0
High Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Other Regular	0.00%	0	0.00%	0	0.00%	0	0.00%	0

The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment for grades K-3 is 26 students and the maximum enrollment for grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
Baton Rouge, Louisiana

Louisiana Educational Assessment Program (LEAP) for the 21st Century
For the Year Ended June 30, 2014
Grade 4

Schedule 7

Achievement Level Results	English Language Arts						Mathematics					
	2014		2013		2012		2014		2013		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	0	0.00%	0	0.00%	0	0.00%	2	1.98%	0	0.00%	0	0.00%
Mastery	7	6.93%	0	0.00%	0	0.00%	1	0.99%	0	0.00%	0	0.00%
Basic	33	32.67%	0	0.00%	0	0.00%	11	10.89%	0	0.00%	0	0.00%
Approaching Basic	35	34.65%	0	0.00%	0	0.00%	46	45.54%	0	0.00%	0	0.00%
Unsatisfactory	26	25.74%	0	0.00%	0	0.00%	41	40.59%	0	0.00%	0	0.00%
Total	101	100.00%	0	0.00%	0	0.00%	101	100.00%	0	0.00%	0	0.00%

Achievement Level Results	Science						Social Studies					
	2014		2013		2012		2014		2013		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	0	0.00%	0	0.00%	0	0.00%	1	0.99%	0	0.00%	0	0.00%
Mastery	0	0.00%	0	0.00%	0	0.00%	4	3.96%	0	0.00%	0	0.00%
Basic	28	27.72%	0	0.00%	0	0.00%	17	16.83%	0	0.00%	0	0.00%
Approaching Basic	45	44.55%	0	0.00%	0	0.00%	47	46.53%	0	0.00%	0	0.00%
Unsatisfactory	28	27.72%	0	0.00%	0	0.00%	32	31.68%	0	0.00%	0	0.00%
Total	101	100.00%	0	0.00%	0	0.00%	101	100.00%	0	0.00%	0	0.00%

SOUTH LOUISIANA CHARTER FOUNDATION, INC.
Baton Rouge, Louisiana

Schedule 9

iLEAP Tests
For the Year Ended June 30, 2014

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2014		2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	4	4.00%	2	1.98%	0	0.00%	1	1.00%
Mastery	5	5.00%	0	0.00%	2	1.98%	5	5.00%
Basic	19	19.00%	39	38.61%	30	29.70%	26	26.00%
Approaching Basic	42	42.00%	32	31.68%	37	36.63%	33	33.00%
Unsatisfactory	30	30.00%	28	27.72%	32	31.68%	35	35.00%
Total	100	100.00%	101	100.00%	101	100.00%	100	100.00%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2014		2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	2	1.98%	2	2.00%	0	0.00%	0	0.00%
Mastery	0	0.00%	3	3.00%	0	0.00%	1	1.00%
Basic	45	44.55%	45	45.00%	19	19.00%	19	19.00%
Approaching Basic	31	30.69%	21	21.00%	58	58.00%	40	40.00%
Unsatisfactory	23	22.77%	29	29.00%	23	23.00%	40	40.00%
Total	101	100.00%	100	100.00%	100	100.00%	100	100.00%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2014		2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	2	1.98%	2	2.00%	0	0.00%	0	0.00%
Mastery	0	0.00%	3	3.00%	0	0.00%	1	1.00%
Basic	45	44.55%	45	45.00%	19	19.00%	19	19.00%
Approaching Basic	31	30.69%	21	21.00%	58	58.00%	40	40.00%
Unsatisfactory	23	22.77%	29	29.00%	23	23.00%	40	40.00%
Total	101	100.00%	100	100.00%	100	100.00%	100	100.00%

Please note that the grade 9 iLEAP has been dropped by the Department of Education, everything at that level was moved to end of course testing
The Department of Education will be reviewing End of Course Testing and its potential inclusion for Assurance purposes in time for Assurance submissions next year

Board of Trustees
South Louisiana Charter Foundation, Inc.
Baton Rouge, LA

Richard Garcia, CFO
Charter Schools USA
Ft. Lauderdale, FL

We have audited the financial statements of the South Louisiana Charter Foundation (the Foundation), for the year ended June 30, 2014 and have issued our report thereon. As part of our audit, we evaluated the internal accounting controls to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

However, during the course of our audit, we became aware of a matter that is an opportunity for strengthening internal controls or operating efficiency. Our comment and suggestion regarding this matter is set forth below. This letter does not affect our reports dated December 17, 2014 on the financial statements of the Foundation's internal control over financial reporting.

2014-1 Cash Collections – School Lunch, Before and After School Care and School Activity Receipts

Internal controls over cash receipts are established to prevent loss or theft of school assets, minimize the opportunity for employees to steal, and provide information to accurately report transactions in the general ledger. We noted that cash collection procedures were not being adhered to in accordance with the policies established by the management company, Charter Schools USA. The policy requires the following internal controls procedures over cash collections:

- Control the mail opening process, preferably by using two people.
- Restrictively endorse checks received (immediately). (For Deposit Only)
- Prepare a daily list of cash receipts as funds are collected.
- Compare the daily list of cash receipts to the bank deposit.
- Make deposits as soon as possible.
- Require persons handling cash to balance revenue activity with actual cash for deposit.
- Separate the handling of cash from the processing and recording of receipts.

Based on our testing performed we noted that a daily list of the amounts received was not being prepared on a consistent basis. As such, after the deposit was made, the amount could not be compared with the cash receipts listing to verify that the total amount received was actually deposited. In many instances the Business Operations Manager (BOM) was the person making the deposit and recording the transactions into QuickBooks. For proper segregation of duties, the person depositing the cash should not be the same person recording or reconciling the accounting of the transaction. A copy of the deposit slip should be sent to CSUSA for use in reconciling the bank statement and account balance. In one instance, the BOM was unable to provide documentation that a deposit slip was sent to CSUSA.

We recommend that employees are reminded of the importance of the established controls and adherence to the policy is required to prevent the misappropriation of assets.

Postlethwaite & Nettville

Baton Rouge, Louisiana
December 17, 2014